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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION E-3043  
JUNE 24, 1987

R E S O L U T I O N

PACIFIC GAS AND ELECTRIC COMPANY (PG&E). ORDER AUTHORIZING PG&E TO AMEND THE APPLICABILITY OF ITS RESIDENTIAL TIME-OF-USE TARIFF, SCHEDULE E-7, TO RESTRICT ITS ELIGIBILITY TO LARGE-USE CUSTOMERS. (Advice Letter No. 1158-E, Filed May 22, 1987.)

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SUMMARY

1. By Advice Letter No. 1158-E, filed May 22, 1987, PG&E requests authorization to amend the applicability section of rate schedule E-7, Residential Time-of-Use (TOU), to limit the migration of new customers onto E-7 to those using at least 12,000 kWh per year. Because of errors made in designing this rate schedule, it will be non-self-supported by the residential class if low-use customers are allowed to take service under it.
2. PG&E is authorized to amend the applicability of rate Schedule E-7 as requested.

BACKGROUND

1. Time-of-Use rates are those which have different prices for different times of the day to better reflect the costs of providing electrical energy. Historically, TOU rates have been considered a means of electric load management. Decision 83-12-068 directed PG&E to experiment with several different residential TOU rate structures to determine which would be the most equitable to participants and non-participants, and to investigate the concerns of cross-subsidies which may have been caused by these rates.
2. In Application 85-12-050, PG&E requested that residential TOU rates be discontinued as a load management option and become simply a rate option open to residential customers who could take advantage of lower off-peak rates. Decisions 86-12-091 and 86-12-095 in Applications 86-04-012 (ECAC) and 85-12-

050 (GRC), respectively, directed PG&E to realign rates based on equal percent of marginal cost and marginal customer costs in order to reduce cross-subsidies, move closer to cost-of-service ratemaking, and increase the revenue burden which the residential class should bear.

3. However, the rate design adopted in D.86-12-091 for Schedule E-7 was found to be inadvertently cost-based only for customers with high energy use. As a result, low-use customers would pay an average rate on Schedule E-7 that is less than the average cost to serve them.

4. By Advice Letter No. 1158-E, PG&E requests authorization for an interim amendment to the applicability section of Schedule E-7, to be used while the rates are redesigned to be self-supporting for average residential customers. The amended applicability section would restrict recruitment of new residential TOU customers to those who use at least 12,000 kWh per year.

#### PROTESTS

1. No protests have been received regarding this advice letter filing.

#### DISCUSSION

1. The purpose of this filing is to amend the applicability of Schedule E-7, Residential Time-of-Use Service, to restrict its eligibility to high-use customers as follows:

"This voluntary schedule is available to customers for whom Schedule E-1 applies and who: use at least 12,000 kWh per year, or, if they have received service for less than one year, use at least 1,000 kWh per month. Customers of record under this schedule as of July 1, 1987, may continue to take service under this schedule regardless of their energy use. Service under this schedule is provided at the sole option of the Utility based upon the availability of metering equipment."

2. This revision is necessitated by the E-7 rate design approved in D.86-12-091. In that decision, the Commission adopted the policy that rates should be based on full equal percent of marginal cost to reduce cross-subsidies and move closer to cost-of-service ratemaking which is self-supporting for applicable customer classes. As currently designed, Schedule D-7 is not self-supporting for the average residential customer. If low-use customers are allowed to take service under Schedule D-7, a revenue deficiency will result from the

residential class which will be spread over all customer classes. This is clearly contrary to the Commission's adopted policy.

3. The Rate Design and Economics Branch of the Public Staff Division has reviewed this filing and has determined that the qualifying usage of 1,000 kWh per month is acceptable.

4. PG&E plans to redesign Schedule E-7 to be self-supporting for the average residential customer. PG&E will file supplemental testimony in the pending 1987 ECAC case, Application 87-04-035. If the Commission adopts an E-7 rate design which supports this goal, PG&E will then remove this high-use restriction.

5. Except as noted above, this filing will not increase any other rates or charges, cause withdrawal of service, or conflict with any other rate schedules or rules.

6. In accordance with Section III, Paragraph G, of General Order No. 96-A, PG&E is mailing copies of this advice letter to all interested parties.

#### FINDINGS

1. We find that the conditions of service authorized in this Resolution are just and reasonable; therefore,

IT IS ORDERED that:

1. Pacific Gas and Electric Company shall amend the applicability section of Schedule E-7 as requested.

2. If the Commission adopts self-supporting rates based on the average residential customer for Schedule E-7, then Pacific Gas and Electric Company shall remove the high-use restriction for Schedule E-7 applicability by advice letter, filed within 30 days of after the effective date of the order.

3. Advice Letter No. 1158-E and accompanying tariff sheets shall be marked to show that they were approved for filing by Commission Resolution No. E-3043, to be effective on and after July 1, 1987.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 24, 1987. The following Commissioners approved it:



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Executive Director

STANLEY W. HULETT  
President  
FREDERICK R. DUDA  
JOHN B. OHANIAN  
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

Commissioner G. Mitchell Wilk being necessarily absent, did not participate.